



**REPORT OF THE AUDITOR OF PUBLIC ACCOUNTS
AUDIT EXAMINATION OF THE
SIMPSON COUNTY FISCAL COURT**

Fiscal Year Ended June 30, 1998

**EDWARD B. HATCHETT, JR.
AUDITOR OF PUBLIC ACCOUNTS
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Edward B. Hatchett, Jr. Auditor of Public Accounts

To the People of Kentucky

Honorable Paul E. Patton, Governor

John P. McCarty, Secretary

Finance and Administration Cabinet

Sarah Jane Schaaf, Secretary, Revenue Cabinet

Honorable Jim Henderson, County Judge/Executive

Honorable Kenneth Y. Harper, Former County Judge/Executive

Members of the Simpson County Fiscal Court

Independent Auditor's Report

We have audited the accompanying statement of assets, liabilities, and fund balances arising from cash transactions of Simpson County, Kentucky, as of June 30, 1998, and the related statement of cash receipts, cash disbursements, and changes in cash balances for the year then ended. These financial statements are the responsibility of the Simpson County Fiscal Court. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards, Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for Fiscal Court Audits issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

Simpson County, Kentucky, prepares its financial statements on a prescribed basis of accounting that demonstrates compliance with the cash basis and laws of Kentucky. Consequently, certain revenues and the related assets are recognized when received rather than when earned, and certain expenses are recognized when paid rather than when a liability is incurred. The cash basis accounting system does not require an entity to maintain a general fixed asset group or a general long-term debt group of accounts. Accordingly, the accompanying financial statements are not intended to present financial position and results of operations in conformity with generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the assets, liabilities, and fund balances arising from cash transactions of Simpson County, Kentucky, and the related statement of cash receipts, cash disbursements, and changes in cash balances as of and for the year ended June 30, 1998, in conformity with the cash basis of accounting described above.

To the People of Kentucky

Honorable Paul E. Patton, Governor

John P. McCarty, Secretary

Finance and Administration Cabinet

Sarah Jane Schaaf, Secretary, Revenue Cabinet

Honorable Jim Henderson, County Judge/Executive

Honorable Kenneth Y. Harper, Former County Judge/Executive

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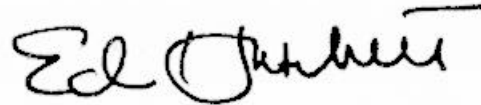
Our audit was performed for the purpose of forming an opinion on the financial statements of Simpson County, Kentucky, taken as a whole. The information provided on the accompanying schedules is presented for purposes of additional analysis and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly presented, in all material respects, in relation to the financial statements taken as a whole.

Based on the results of our audit, we present the accompanying Comment and Recommendation, included herein, which discusses the following area of noncompliance:

- The County Should Have Required Depository Institutions To Pledge Additional Securities Of \$220,565 As Collateral To Protect Deposits

In accordance with Government Auditing Standards, we have also issued our report dated July 15, 1999 on our consideration of Simpson County, Kentucky's compliance with certain provisions of laws, regulations, contracts, and grants, and internal control over financial reporting.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Ed Hatchett". The signature is fluid and cursive, with a long horizontal line extending from the end.

Edward B. Hatchett, Jr.
Auditor of Public Accounts

Audit fieldwork completed -
July 15, 1999

SIMPSON COUNTY OFFICIALS

Fiscal Year Ended June 30, 1998

Kenneth Y. Harper	County Judge/Executive
G. Sidnor Broderson	County Attorney
Bobby C. Phillips, Jr.	County Clerk
Jan J. Murphree	Circuit Court Clerk
Joe Palma	Sheriff
James Mooneyhan	Jailer
Pam Womack	Property Valuation Administrator
Judy Hayes	County Treasurer
Tom Crafton	Coroner
Glen Evans	Magistrate
Bill Scott	Magistrate
James Bailey, Jr.	Magistrate
Kenneth Utley	Magistrate

STATEMENT OF ASSETS, LIABILITIES,
AND FUND BALANCES ARISING FROM CASH TRANSACTIONS

SIMPSON COUNTY
STATEMENT OF ASSETS, LIABILITIES,
AND FUND BALANCES ARISING FROM CASH TRANSACTIONS

June 30, 1998

Assets and Other Resources

Assets

General Fund:

Cash	\$ 48,692
Investments	700,000

Road and Bridge Fund:

Cash	81,163
Investments	400,000

Jail Fund:

Cash	37,215
------	--------

Jail Commissary Fund:

Cash	2,378
------	-------

Local Government Economic Assistance Fund:

Cash	109,331
------	---------

911 Emergency Dispatch Fund:

Cash	61,314
------	--------

Hospital Bond Sinking Fund:

Cash	2,073
------	-------

Parks and Recreation Fund:

Cash	16,980
------	--------

Tourist and Convention Commission Fund:

Cash	130,025
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Other Resources

General Fund:

Amounts to be Provided in Future Years for Hospital	
Addition - Capital Lease Purchase Obligations - Principal (Note 6)	1,413,000
Amounts to be Provided in Future Years for Hospital	
Equipment - Capital Lease Purchase Obligations - Principal (Note 6)	116,000
Amounts to be Provided in Future Years for Voting	
Machines - Capital Lease Purchase Obligations - Principal (Note 6)	46,000

Jail Fund:

Amounts to be Provided in Future Years for Jail Capital	
Lease Obligation - Bond Principal Payments (Note 5)	318,679

Total Assets and Other Resources

\$ 3,482,850

The accompanying notes are an integral part of the financial statements.

SIMPSON COUNTY
 STATEMENT OF ASSETS, LIABILITIES, AND FUND BALANCES
 ARISING FROM CASH TRANSACTIONS
 June 30, 1998
 (Continued)

Liabilities and Fund Balances

Liabilities

General Fund:

Hospital Addition - Capital Lease Purchase - Principal (Note 6)	\$ 1,413,000
Hospital Equipment - Capital Lease Purchase - Principal (Note 6)	116,000
Voting Machines - Capital Lease Purchase - Principal (Note 6)	46,000

Jail Fund:

Capital Lease Obligation - Bond Principal Payments (Note 5)	318,679
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Hospital Building Commission Fund:

Bonds Matured and Unpresented	2,000
Interest Matured and Unpresented	73

Parks and Recreation Fund:

Borrowed Money - Principal (Note 4)	37,001
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Fund Balances

Reserved:

Jail Commissary Fund	2,378
911 Emergency Dispatch Fund	61,314
Parks and Recreation Fund	(20,021)
Tourist and Convention Commission Fund	130,025

Unreserved:

General Fund	748,692
Road and Bridge Fund	481,163
Jail Fund	37,215
Local Government Economic Assistance Fund	109,331

Total Liabilities and Fund Balances	<u>\$ 3,482,850</u>
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The accompanying notes are an integral part of the financial statements.

STATEMENT OF CASH RECEIPTS,
CASH DISBURSEMENTS, AND CHANGES IN CASH BALANCES

SIMPSON COUNTY
STATEMENT OF CASH RECEIPTS,
CASH DISBURSEMENTS, AND CHANGES IN CASH BALANCES

Fiscal Year Ended June 30, 1998

<u>Cash Receipts</u>	Totals (Memorandum Only)	General Fund	Road and Bridge Fund	Jail Fund
Schedule of Operating Revenue	\$ 3,573,651	\$ 1,553,764	\$ 735,317	\$ 997,656
Transfers In	214,386	2,697		1,689
Kentucky Advance Revenue Program	792,700	773,630	19,070	
Jail Commissary Fund Receipts	28,213			
Total Cash Receipts	<u>\$ 4,608,950</u>	<u>\$ 2,330,091</u>	<u>\$ 754,387</u>	<u>\$ 999,345</u>
<u>Cash Disbursements</u>				
Comparative Schedule of Final Budget and Budgeted Expenditures	\$ 3,220,105	\$ 1,383,063	\$ 684,788	\$ 1,017,494
Schedule of Unbudgeted Expenditures	305,807			
Transfers Out	214,386	190,000		
Bonds:				
Principal Paid	10,139			10,139
Principal on Lease:				
Hospital Addition and Equipment	69,000	69,000		
Voting Machines	6,000	6,000		
Borrowed Money Repaid	7,999			
Kentucky Advance Revenue Program Repaid	792,700	773,630	19,070	
Jail Commissary Fund Expenditures	25,127			
Total Cash Disbursements	<u>\$ 4,651,263</u>	<u>\$ 2,421,693</u>	<u>\$ 703,858</u>	<u>\$ 1,027,633</u>
Excess (Deficiency) of Cash Receipts Over (Under) Cash Disbursements	<u>\$ (42,313)</u>	<u>\$ (91,602)</u>	<u>\$ 50,529</u>	<u>\$ (28,288)</u>
Cash Balance - July 1, 1997 *	<u>1,631,484</u>	<u>840,294</u>	<u>430,634</u>	<u>65,503</u>
Cash Balance - June 30, 1998 *	<u><u>\$ 1,589,171</u></u>	<u><u>\$ 748,692</u></u>	<u><u>\$ 481,163</u></u>	<u><u>\$ 37,215</u></u>

* Cash Balance Includes Investments

The accompanying notes are an integral part of the financial statements.

SIMPSON COUNTY
 STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
 CHANGES IN CASH BALANCES
 Fiscal Year Ended June 30, 1998
 (Continued)

Jail Commissary Fund	Local Government Economic Assistance Fund	911 Emergency Dispatch Fund	Hospital Bond Sinking Fund	Parks and Recreation Fund	Tourist and Convention Commission Fund
\$	\$ 61,133	\$ 62,239	\$	\$ 160,091 130,000	\$ 3,451 80,000
28,213					
\$ 28,213	\$ 61,133	\$ 62,239	\$ 0	\$ 290,091	\$ 83,451
\$	\$ 77,687	\$ 57,073	\$	\$ 277,075	\$ 28,732
1,689	15,000				7,697
				7,999	
25,127					
\$ 26,816	\$ 92,687	\$ 57,073	\$ 0	\$ 285,074	\$ 36,429
\$ 1,397 981	\$ (31,554) 140,885	\$ 5,166 56,148	\$ 0 2,073	\$ 5,017 11,963	\$ 47,022 83,003
\$ 2,378	\$ 109,331	\$ 61,314	\$ 2,073	\$ 16,980	\$ 130,025

The accompanying notes are an integral part of the financial statements.

SIMPSON COUNTY
NOTES TO FINANCIAL STATEMENTS

June 30, 1998

Note 1. Summary of Significant Accounting Policies

A. Reporting Entity

The financial statements of Simpson County include the funds, agencies, boards, and entities for which the fiscal court is financially accountable. Financial accountability, as defined by Section 2100 of the GASB Codification of Governmental Accounting and Financial Reporting Standards, as amended by GASB 14, was determined on the basis of the government's ability to significantly influence operations, select the governing authority, participate in fiscal management and the scope of public service. Based upon the criteria stated in GASB 14, management has included the Jail Commissary Fund, the Parks and Recreation Fund, and the Tourist and Convention Commission Fund as part of the reporting entity.

B. Fund Accounting

Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities. The government uses funds to report on its financial position and the results of its operations. A fund is a separate accounting entity with a self-balancing set of accounts.

C. Basis of Accounting

The financial statements were prepared on a cash basis of accounting pursuant to Kentucky Revised Statute (KRS) 68.210 as recommended by the State Local Finance Officer. Consequently, certain revenues and related assets are recognized when received rather than when earned, and certain expenses are recognized when paid rather than when a liability is incurred. The cash basis accounting system does not require an entity to maintain a general fixed asset group or a general long-term debt group of accounts.

D. Legal Compliance - Budget

The Simpson County budget is adopted on a cash basis of accounting and laws of Kentucky as required by the State Local Finance Officer. The County Judge/Executive is required to submit estimated receipts and proposed expenditures to the fiscal court by May 1 of each year. The budget is prepared by fund, function, and activity and is required to be adopted by the fiscal court by July 1.

The fiscal court may change the original budget by transferring appropriations at the activity level; however, the fiscal court may not increase the total budget without approval by the State Local Finance Officer. Expenditures may not exceed budgeted appropriations at the activity level.

E. Cash and Investments

Cash includes amounts in bank accounts, and investments are stated at cost. Investments may include certificates of deposit on the financial statements; however, for the purpose of disclosing credit risk (Note 3), investments exclude certificates of deposit.

SIMPSON COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 1998
(Continued)

Note 1. (Continued)

E. Cash and Investments (Continued)

KRS 66.480 authorizes the county to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

Note 2. Employee Retirement System

The county has elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a multiple-employer public retirement system which covers all eligible full-time employees. Benefit contributions and provisions are established by statute. Nonhazardous covered employees are required to contribute 5 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 8.65 percent.

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65.

Historical trend information showing the CERS' progress in accumulating sufficient assets to pay benefits when due is present in the Kentucky Retirement Systems' annual financial report.

Note 3. Deposits

The county maintains deposits with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC). According to law, the depository institution should pledge sufficient securities as collateral which, together with FDIC insurance, equals or exceeds the amount on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge of securities should be evidenced by an agreement that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution. This agreement, signed by both parties, must be sufficient to create an enforceable and perfected security interest in the collateral under Kentucky law. The county entered into a written agreement with the depository institution and met requirements (a), (b), and (c) stated above. However, as of March 17, 1998, the uncollateralized amount on deposit was \$220,565. The pledged securities and FDIC insurance did not equal or exceed the amount on deposit.

SIMPSON COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 1998
(Continued)

Note 3. Deposits (Continued)

The county's deposits are categorized below to give an indication of the level of risk assumed by the county as of March 17, 1998.

	<u>Bank Balance</u>
Collateralized with securities held by pledging depository institution in the county's name	\$ 1,459,419
Uncollateralized and uninsured	<u>220,565</u>
Total	<u><u>\$ 1,679,984</u></u>

Note 4. Short-Term Debt

Liabilities of the Parks and Recreation Fund are:

The Parks and Recreation Fund entered into a loan agreement with Franklin Bank and Trust for \$45,000 at an interest rate of 5.90%. The note requires annual payments of \$10,654 for five years. The final payment is due on January 24, 2002.

Note 5. Long-Term Debt

The Kentucky Local Correctional Facilities Construction Authority, an independent corporate agency and instrumentality of the Commonwealth of Kentucky, issues revenue bonds for the purpose of construction and reconstruction of jail facilities. The Authority issued \$921,772 of revenue bonds at various interest rates, of which the county has agreed to pay \$401,741 principal and a proportional share of interest on the issue. Revenue bonds outstanding as of June 30, 1998 totaled \$318,679. Debt service requirements are:

<u>Fiscal Year</u>	<u>Scheduled Interest</u>	<u>Scheduled Principal</u>
1999	\$ 20,414	\$ 10,798
2000	19,689	11,499
2001	18,917	12,247
2002	18,095	13,043
2003	17,219	13,891
2004-2014	<u>113,159</u>	<u>257,201</u>
Totals	<u><u>\$ 207,493</u></u>	<u><u>\$ 318,679</u></u>

SIMPSON COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 1998
(Continued)

Note 6. Capital Lease-Purchase Agreements

The county has entered into the following capital lease-purchase agreements:

A. Voting Machine Lease

On November 20, 1994, the Simpson County Fiscal Court entered into a lease-purchase agreement with the Kentucky Association of Counties Leasing Trust (KACoLT). The lease-purchase agreement was for the purchase of voting machines. The principal was \$66,000 at 6.914 percent for a period of 10 years, interest paid monthly and principal paid annually. Principal outstanding as of June 30, 1998, is \$46,000. Lease payment requirements excluding an anticipated interest rebate from KACoLT are:

<u>Fiscal Year</u>	<u>Scheduled Interest</u>	<u>Scheduled Principal</u>
1999	\$ 2,983	\$ 7,000
2000	2,498	7,000
2001	2,014	7,000
2002	1,500	8,000
2003	946	8,000
2004	363	9,000
Totals	<u>\$ 10,304</u>	<u>\$ 46,000</u>

B. Hospital Addition and Equipment Leases

On August 20, 1992, the Simpson County Fiscal Court entered into two lease-purchase agreements with the Kentucky Association of Counties Leasing Trust (KACoLT). The lease-purchase agreements were for the Franklin-Simpson Memorial Hospital Addition and hospital equipment. The fiscal court currently subleases the hospital addition and equipment to the Franklin-Simpson Memorial Hospital for lease payment equal to the KACoLT lease payments.

1. Hospital Addition Lease Terms

The hospital addition principal was \$1,628,000 at 6.193 percent for a period of 25 years, interest paid monthly, and principal paid annually. Principal outstanding as of June 30, 1998, is \$1,413,000. Lease payment requirements excluding an anticipated interest rebate from KACoLT are:

SIMPSON COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 1998
(Continued)

Note 6. Capital Lease-Purchase Agreements (Continued)

B. Hospital Addition and Equipment Leases (Continued)

1. Hospital Addition Lease Terms (Continued)

<u>Fiscal Year</u>	<u>Scheduled Interest</u>	<u>Scheduled Principal</u>
1999	\$ 86,327	\$ 46,000
2000	83,426	48,000
2001	80,376	51,000
2002	77,166	53,000
2003	73,806	56,000
2004-2017	<u>565,779</u>	<u>1,159,000</u>
Totals	<u>\$ 966,880</u>	<u>\$ 1,413,000</u>

2. Hospital Equipment Lease Terms

The hospital equipment principal was \$241,000 at 5.904 percent for a period of 10 years, interest paid monthly, and principal paid annually. Principal outstanding as of June 30, 1998, is \$116,000. Lease payment requirements excluding an anticipated interest rebate from KACoLT are:

<u></u>	<u></u>	<u></u>
1999	\$ 6,184	\$ 27,000
2000	4,565	28,000
2001	2,863	30,000
2004	<u>1,068</u>	<u>31,000</u>
Totals	<u>\$ 14,680</u>	<u>\$ 116,000</u>

COMPARATIVE SCHEDULE OF
BUDGETED TO ACTUAL OPERATING REVENUE

SIMPSON COUNTY
COMPARATIVE SCHEDULE OF
BUDGETED TO ACTUAL OPERATING REVENUE

Fiscal Year Ended June 30, 1998

<u>Budgeted Funds</u>	Budgeted Operating Revenue	Actual Operating Revenue	Over (Under) Budget
General Fund	\$ 2,366,427	\$ 1,553,764	\$ (812,663)
Road and Bridge Fund	634,485	735,317	100,832
Jail Fund	964,382	997,656	33,274
Local Government Economic Assistance Fund	91,255	61,133	(30,122)
911 Emergency Dispatch Fund	58,000	62,239	4,239
Total	<u>\$ 4,114,549</u>	<u>\$ 3,410,109</u>	<u>\$ (704,440)</u>
<u>Reconciliation</u>			
Total Budgeted Operating Revenue Above			\$ 4,114,549
Add: Budgeted Prior Year Surplus			355,620
Less: Other Financing Uses			<u>(1,082,839)</u>
Total Operating Budget Per Comparative Schedule Of Final Budget and Budgeted Expenditures			<u>\$ 3,387,330</u>

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SCHEDULE OF OPERATING REVENUE

SIMPSON COUNTY
SCHEDULE OF OPERATING REVENUE

Fiscal Year Ended June 30, 1998

	Totals (Memorandum Only)	General Fund	Road and Bridge Fund	Jail Fund
<u>Revenue From Local Taxes</u> <u>and Excess Fees</u>				
Sheriff:				
Taxes	\$ 689,161	\$ 689,161	\$	\$
Excess Fees - 1997	1,938	1,938		
County Clerk:				
Deed Transfer Tax	72,880	72,880		
Delinquent Taxes	3,894	3,894		
Excess Fees - 1997	113,645	113,645		
Franchise Corporation - Cellular	8,396	8,396		
Tangible Personal Property Taxes:				
Other Counties	18,083	18,083		
County Clerk	115,696	115,696		
Cable Franchise	2,927	2,927		
Tourist Room Tax	84,390	84,390		
In Lieu of Taxes:				
Tennessee Valley Authority	10,644	10,644		
Electric Utility	7,267	7,267		
Totals	<u>\$ 1,128,921</u>	<u>\$ 1,128,921</u>	<u>\$ 0</u>	<u>\$ 0</u>
<u>Federal Receipts - State Treasurer</u>				
Disaster and Emergency Assistance				
Grants - Coordinator Salary	\$ 860	\$ 860	\$	\$
Disaster and Emergency Assistance				
Grant - 1997 Flood Relief	2,553		2,553	
Totals	<u>\$ 3,413</u>	<u>\$ 860</u>	<u>\$ 2,553</u>	<u>\$ 0</u>

Local Government Economic Assistance Fund	911 Emergency Dispatch Fund	Parks and Recreation Fund	Tourist and Convention Commission Fund
\$	\$	\$	\$
\$ 0	\$ 0	\$ 0	\$ 0
\$	\$	\$	\$
\$ 0	\$ 0	\$ 0	\$ 0

SIMPSON COUNTY
 SCHEDULE OF OPERATING REVENUE
 Fiscal Year Ended June 30, 1998
 (Continued)

	Totals (Memorandum Only)	General Fund	Road and Bridge Fund	Jail Fund
<u>Kentucky State Treasurer</u>				
Jail:				
Allotments	\$ 71,234	\$	\$	\$ 71,234
Medical Allotments	62,698			62,698
Driving Under The Influence Fees ^s	4,430			4,430
Housing State Prisoners	185,042			185,042
Class D Felon Payments	584,260			584,260
County Road Aid	492,974		492,974	
Public Defender Allotment	30,976	30,976		
Truck License Distribution	151,651		151,651	
Recouped Public Defender Fees	7,075	7,075		
Courthouse Rental - Administrative				
Office of the Courts	56,755	56,755		
Refunds:				
Legal Process Tax	107	107		
Drivers Licenses	1,535		1,535	
State Reimbursement/Refund	126,290	50,370	60,000	15,920
Severance Taxes:				
Coal	23,640			
Mineral	34,020			
Grants:				
Disaster and Emergency				
Assistance-				
Coordinator Salary	900	900		
1997 Flood Relief	638		638	
Totals	\$ 1,834,225	\$ 146,183	\$ 706,798	\$ 923,584
<u>Miscellaneous Revenue</u>				
Interest	\$ 82,052	\$ 45,049	\$ 25,833	\$ 2,867
Circuit Court Clerk:				
Jail Cost	17,769			17,769
Boarding Fees	13,907			13,907
Work Release	13,546			13,546
Housing Prisoners-Other Counties	2,112			2,112
Home Incarceration Program	50			50

Local Government Economic Assistance Fund	911 Emergency Dispatch Fund	Parks and Recreation Fund	Tourist and Convention Commission Fund
\$	\$	\$	\$
23,640			
34,020			
\$ 57,660	\$ 0	\$ 0	\$ 0
\$ 3,473	\$ 815	\$ 689	\$ 3,326

SIMPSON COUNTY
 SCHEDULE OF OPERATING REVENUE
 Fiscal Year Ended June 30, 1998
 (Continued)

	Totals (Memorandum Only)	General Fund	Road and Bridge Fund	Jail Fund
<u>Miscellaneous Revenue (Continued)</u>				
Jail:				
Bond Acceptance Fees	\$ 3,680	\$	\$	\$ 3,680
Telephone Commission Refunds	15,860			15,860
Charges for Services:				
Fire Runs	11,650	11,650		
911 Emergency Dispatch Service	61,424			
Parks and Recreation	11,520			
Lease Receipts	150,120	150,120		
Contributions:				
City of Franklin	125,000			
Businesses	7,850			
Civic Club	2,000			
Other Groups	2,754			
Rentals	5,325			
Reimbursements	66,325	62,962		3,363
Miscellaneous Items	14,148	8,019	133	918
Totals	<u>\$ 607,092</u>	<u>\$ 277,800</u>	<u>\$ 25,966</u>	<u>\$ 74,072</u>
Total Operating Revenue	<u>\$ 3,573,651</u>	<u>\$ 1,553,764</u>	<u>\$ 735,317</u>	<u>\$ 997,656</u>

SIMPSON COUNTY
 SCHEDULE OF OPERATING REVENUE
 Fiscal Year Ended June 30, 1998
 (Continued)

Local Government Economic Assistance Fund	911 Emergency Dispatch Fund	Parks and Recreation Fund	Tourist and Convention Commission Fund
\$	\$	\$	\$
	61,424	11,520	
		125,000	
		7,850	
		2,000	
		2,754	
		5,325	
		4,953	125
\$ 3,473	\$ 62,239	\$ 160,091	\$ 3,451
\$ 61,133	\$ 62,239	\$ 160,091	\$ 3,451

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COMPARATIVE SCHEDULE OF
FINAL BUDGET AND BUDGETED EXPENDITURES

SIMPSON COUNTY
COMPARATIVE SCHEDULE OF
FINAL BUDGET AND BUDGETED EXPENDITURES

Fiscal Year Ended June 30, 1998

	<u>Final Budget</u>	<u>Budgeted Expenditures</u>	<u>Under (Over) Budget</u>
<u>GENERAL FUND</u>			
<u>General Government</u>			
Office of County Judge/Executive:			
Salaries-			
County Judge/Executive	\$ 39,157	\$ 38,733	\$ 424
Finance Officer	17,705	17,704	1
Part-Time Help	3,200	3,157	43
Advertising	3,500	3,039	461
Office Materials and Supplies	4,200	4,195	5
Office of County Attorney:			
Salaries-			
County Attorney	14,636	14,409	227
Secretary	3,600	3,600	
Office Materials and Supplies	50	3	47
Office of County Clerk:			
Office Materials and Supplies	7,000	6,708	292
Printing	3,700	3,695	5
New Office Equipment	760		760
Tax Bill Preparation	5,908	5,908	
Office of Sheriff:			
Dispatchers Salaries	38,600	38,600	
Materials and Supplies	5,500	4,789	711
Uniforms	1,500	1,352	148
Office of County Coroner:			
Salaries-			
County Coroner	8,599	8,523	76
Deputy Coroner	3,000	3,000	
Autopsies and Attendant Service	3,125	3,125	
Travel	175	80	95

SIMPSON COUNTY
 COMPARATIVE SCHEDULE OF
 FINAL BUDGET AND BUDGETED EXPENDITURES
 Fiscal Year Ended June 30, 1998
 (Continued)

	Final Budget	Budgeted Expenditures	Under (Over) Budget
<u>GENERAL FUND (Continued)</u>			
<u>General Government (Continued)</u>			
Fiscal Court:			
Magistrates-			
Salaries	\$ 37,249	\$ 36,843	\$ 406
Expense Allowance	11,520	11,520	
Office of Property Valuation Administrator:			
Statutory Contribution	26,901	26,901	
Office of Board of Assessment Appeals:			
Per Diem	900		900
Office of County Treasurer:			
County Treasurer Salary	20,558	20,557	1
County Law Library:			
Law Librarian Salary	600	600	
Elections:			
Per Diem-			
Election Commissioners	2,634	2,634	
Election Officers	3,713	3,713	
Election Tabulators	140	140	
Maintenance - Voting Machines	500		500
Polling Places	300	294	6
Advertising and Printing	2,820	2,194	626
Economic Development:			
Director Salary	35,000	35,000	
Courthouse:			
Janitor Salary	16,341	16,341	
Janitorial Services	4,500	4,487	13
Pest Control	900	755	145
Renewals and Repairs	19,682	12,039	7,643
Utilities	26,400	22,525	3,875
Miscellaneous	1,000	987	13

SIMPSON COUNTY
 COMPARATIVE SCHEDULE OF
 FINAL BUDGET AND BUDGETED EXPENDITURES
 Fiscal Year Ended June 30, 1998
 (Continued)

	Final Budget	Budgeted Expenditures	Under (Over) Budget
<u>GENERAL FUND (Continued)</u>			
<u>General Government (Continued)</u>			
Other County Properties:			
Maintenance and Repair - Building	\$ 11,300	\$ 11,297	\$ 3
Annex Building:			
Utilities	10,000	7,725	2,275
<u>Protection to Persons and Property</u>			
County Fire Department:			
Salaries-			
Firefighters	25,000	23,977	1,023
Dispatchers	1,400	1,400	
Maintenance and Repair - Equipment	5,000	3,944	1,056
Petroleum Products	2,500	1,274	1,226
Other Materials and Supplies	15,000	1,491	13,509
Buildings and Construction	132,000	129,500	2,500
Rescue Squad:			
Program Support	990	510	480
Disaster and Emergency Services:			
Director Salary	2,400	2,400	
Program Support	3,350	3,350	
Payments to Government Agencies	3,000	1,760	1,240
Office of Public Defender:			
Mandated Program Support	2,000	1,893	107
<u>General Health and Sanitation</u>			
Dog Control:			
Dog Warden Salary	12,000	12,000	
Animal Food and Supplies	5,540	5,540	
Transportation Equipment	2,000	2,000	

SIMPSON COUNTY
 COMPARATIVE SCHEDULE OF
 FINAL BUDGET AND BUDGETED EXPENDITURES
 Fiscal Year Ended June 30, 1998
 (Continued)

	<u>Final Budget</u>	<u>Budgeted Expenditures</u>	<u>Under (Over) Budget</u>
<u>GENERAL FUND (Continued)</u>			
<u>General Health and Sanitation (Continued)</u>			
Solid Waste:			
Solid Waste	\$ 2,004	\$ 2,004	\$
County Hospital:			
Miscellaneous	1,000	871	129
Health Department:			
Contributions	106,970	106,970	
Soil and Water Conservation:			
Program Support	9,500	9,500	
<u>Social Services</u>			
Service to Indigents:			
Home Health Aid	1,500	1,500	
Public Advocate Program:			
Salaries	36,574	36,574	
Reimbursements	7,075	7,075	
Services to Children and Youth:			
Juvenile Officer Salary	32,701	32,701	
General Charity and Welfare:			
General Welfare	2,500	2,445	55
<u>Recreation and Culture</u>			
Cooperative Extension Service:			
Program Support	81,161	81,161	
Other Extension Services:			
Chamber of Commerce	9,000	9,000	

SIMPSON COUNTY
 COMPARATIVE SCHEDULE OF
 FINAL BUDGET AND BUDGETED EXPENDITURES
 Fiscal Year Ended June 30, 1998
 (Continued)

	Final Budget	Budgeted Expenditures	Under (Over) Budget
<u>GENERAL FUND (Continued)</u>			
<u>Recreation and Culture (Continued)</u>			
Other Cultural Programs:			
Archives	\$ 15,000	\$ 15,000	\$
African American Heritage-			
Historic Preservation	64,962	64,962	
Reimbursements	50,370	50,370	
Education Program	2,928	2,928	
<u>Debt Service</u>			
County Liabilities:			
Interest on Leases-			
Hospital	96,813	81,120	15,693
Voting Machines	3,428	2,932	496
<u>Administration</u>			
General Services:			
Auditing Services	14,318	14,318	
Legal Fees	6,500	6,464	36
Area Development District Payments	3,786	3,786	
Bank Charges	800	285	515
Insurance	67,200	63,201	3,999
Memberships	3,115	3,113	2
Telephone	16,000	10,150	5,850
Travel	10,100	9,984	116
TVA in of Lieu of Taxes	201	201	
Contingent Appropriations:			
Reserve of Transfers	453		453
Fringe Benefits:			
County Contributions-			
Social Security	46,500	44,049	2,451
Retirement	51,000	48,376	2,624
Health Insurance	81,050	81,038	12

SIMPSON COUNTY
 COMPARATIVE SCHEDULE OF
 FINAL BUDGET AND BUDGETED EXPENDITURES
 Fiscal Year Ended June 30, 1998
 (Continued)

	Final Budget	Budgeted Expenditures	Under (Over) Budget
<u>GENERAL FUND (Continued)</u>			
<u>Administration (Continued)</u>			
Fringe Benefits: (Continued)			
Worker's Compensation	\$ 22,235	\$ 20,636	\$ 1,599
Unemployment Insurance	4,000	2,138	1,862
Total Operating Budget	\$ 1,459,797	\$ 1,383,063	\$ 76,734
Other Financing Uses:			
Kentucky Advance Revenue Program-			
Principal	773,630	773,630	
Transfers to Parks and Recreation Fund	110,000	110,000	
Transfers to Tourist and Convention			
Commission Fund	80,000	80,000	
Principal on Lease - Hospital	69,000	69,000	
Principal on Lease - Voting Machines	6,000	6,000	
Total General Fund	\$ 2,498,427	\$ 2,421,693	\$ 76,734
<u>ROAD AND BRIDGE FUND</u>			
<u>General Government</u>			
Office of County Judge/Executive:			
County Judge/Executive Salary	\$ 9,580	\$ 9,580	\$
Fiscal Court:			
Magistrates-			
Salaries	9,113	9,113	
Expense Allowance	2,880	2,880	
<u>Roads</u>			
Road Maintenance:			
Salaries-			
Road Supervisor	24,200	22,032	2,168
Road Workers	82,048	72,511	9,537
Crushed Stone and Gravel	30,000	17,003	12,997

SIMPSON COUNTY
 COMPARATIVE SCHEDULE OF
 FINAL BUDGET AND BUDGETED EXPENDITURES
 Fiscal Year Ended June 30, 1998
 (Continued)

	Final Budget	Budgeted Expenditures	Under (Over) Budget
<u>ROAD AND BRIDGE FUND (Continued)</u>			
<u>Roads (Continued)</u>			
Road Maintenance: (Continued)			
Machinery and Equipment-			
Repairs	\$ 25,000	\$ 24,904	\$ 96
New Road Machinery	43,012	43,012	
Road Materials	385,000	384,829	171
Petroleum Products	15,000	12,469	2,531
<u>Capital Projects</u>			
Bridges:			
Contracted Construction	8,000	8,000	
<u>Administration</u>			
General Services:			
Insurance	16,800	16,800	
Telephone	4,000	3,992	8
Travel	2,452	2,451	1
Utilities	6,948	6,698	250
Fringe Benefits:			
County Contributions-			
Social Security	12,500	8,242	4,258
Retirement	14,000	8,272	5,728
Health Insurance	21,000	21,000	
Worker's Compensation	11,000	11,000	
Unemployment Insurance	1,000		1,000
Total Operating Budget	\$ 723,533	\$ 684,788	\$ 38,745
Other Financing Uses:			
Kentucky Advance Revenue Program-			
Principal	19,070	19,070	
Total Road and Bridge Fund	\$ 742,603	\$ 703,858	\$ 38,745

SIMPSON COUNTY
 COMPARATIVE SCHEDULE OF
 FINAL BUDGET AND BUDGETED EXPENDITURES
 Fiscal Year Ended June 30, 1998
 (Continued)

	Final Budget	Budgeted Expenditures	Under (Over) Budget
<u>JAIL FUND</u>			
<u>Protection to Persons and Property</u>			
Office of Jailer:			
Personnel Services-			
Salaries-			
Jailer	\$ 48,619	\$ 48,313	\$ 306
Jail Personnel	295,980	295,827	153
Administrative Personnel	17,500	17,460	40
Food Service Personnel	32,328	32,328	
Maintenance Personnel	13,000	13,000	
Temporary/Part-Time Personnel	1,393	1,393	
Other Personnel	5,100	5,100	
Operations-			
Custodial Supplies	39,710	39,512	198
Food Preparation and Supplies	6,352	6,313	39
Food	185,369	185,052	317
Furniture and Fixtures			
Jail Linens	3,375	3,337	38
Office Supplies	3,650	3,645	5
Pest Control	485	485	
Petroleum Products	4,435	4,433	2
Prisoner Clothing	2,200	2,195	5
Rentals	7,200	7,200	
Routine Medical	96,550	96,548	2
Staff Uniforms	14,857	14,856	1
Staff Travel	2,400	2,247	153
Telephone	7,361	7,359	2
Utilities	49,565	49,562	3
Miscellaneous Operating Expense	1,000	981	19
Maintenance-			
Building Repairs	20,850	20,837	13
Equipment Repairs	4,067	4,067	
Vehicle Repairs	6,050	5,880	170
Equipment-			
Communications Equipment	8,380	8,377	3
Food Service Equipment	2,525	2,516	9
Furniture and Fixtures	6,698	6,698	
Transportation Equipment	6,515	6,515	

SIMPSON COUNTY
 COMPARATIVE SCHEDULE OF
 FINAL BUDGET AND BUDGETED EXPENDITURES
 Fiscal Year Ended June 30, 1998
 (Continued)

	<u>Final Budget</u>	<u>Budgeted Expenditures</u>	<u>Under (Over) Budget</u>
<u>JAIL FUND (Continued)</u>			
<u>Protection to Persons and Property (Continued)</u>			
Office of Jailer: (Continued)			
Operations- (Continued)			
Maintenance Contracts	\$ 1,000	\$ 629	\$ 371
Renewals and Repairs	3,000	3,000	
Juvenile Detention:			
Contracts with Other Counties	36,332	36,260	72
<u>Debt Service</u>			
Borrowed Money:			
Interest	21,094	21,094	
<u>Administration</u>			
General Services:			
Bank Charges	500	365	135
Memberships	500	330	170
Staff Training	1,395	1,395	
Fringe Benefits:			
County Contributions-			
Social Security	30,110	30,106	4
Retirement	<u>32,300</u>	<u>32,279</u>	<u>21</u>
Total Operating Budget	\$ 1,019,745	\$ 1,017,494	\$ 2,251
Other Financing Uses:			
Jail Principal on Bonds	<u>10,139</u>	<u>10,139</u>	
Total Jail Fund	<u>\$ 1,029,884</u>	<u>\$ 1,027,633</u>	<u>\$ 2,251</u>

SIMPSON COUNTY
 COMPARATIVE SCHEDULE OF
 FINAL BUDGET AND BUDGETED EXPENDITURES
 Fiscal Year Ended June 30, 1998
 (Continued)

	Final Budget	Budgeted Expenditures	Under (Over) Budget
<u>LOCAL GOVERNMENT ECONOMIC ASSISTANCE FUND</u>			
<u>Recreation and Culture</u>			
Recreation Program:			
Mini Park	\$ 500	\$ 500	\$
<u>Roads</u>			
Road Maintenance:			
Road Materials	106,755	58,187	48,568
<u>Administration</u>			
Fringe Benefits:			
Health Insurance	19,000	19,000	
Total Operating Budget	\$ 126,255	\$ 77,687	\$ 48,568
Other Financing Uses:			
Transfers to Parks and Recreation Fund	15,000	15,000	
Total Local Government Economic Assistance Fund	<u>\$ 141,255</u>	<u>\$ 92,687</u>	<u>\$ 48,568</u>
<u>911 EMERGENCY DISPATCH FUND</u>			
<u>Protection to Persons and Property</u>			
Emergency Dispatch Service:			
Dispatch Service	<u>\$ 58,000</u>	<u>\$ 57,073</u>	<u>\$ 927</u>

SIMPSON COUNTY
 COMPARATIVE SCHEDULE OF
 FINAL BUDGET AND BUDGETED EXPENDITURES
 Fiscal Year Ended June 30, 1998
 (Continued)

	Final Budget	Budgeted Expenditures	Under (Over) Budget
Total Operating Budget - All Funds	\$ 3,387,330	\$ 3,220,105	\$ 167,225
Other Financing Uses:			
Kentucky Advance Revenue Program-			
Principal	792,700	792,700	
Transfers to Park and Recreation Fund	125,000	125,000	
Transfers to Tourist and Convention			
Commission Fund	80,000	80,000	
Principal on Lease - Hospital	69,000	69,000	
Principal on Lease - Voting Machines	6,000	6,000	
Jail Principal on Bonds	10,139	10,139	
TOTAL BUDGET - ALL FUNDS	<u>\$ 4,470,169</u>	<u>\$ 4,302,944</u>	<u>\$ 167,225</u>

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SCHEDULE OF UNBUDGETED EXPENDITURES

SIMPSON COUNTY
SCHEDULE OF UNBUDGETED EXPENDITURES

Fiscal Year Ended June 30, 1998

<u>Expenditure Items</u>	<u>Parks and Recreation Fund</u>	<u>Tourist and Convention Commission Fund</u>
Salaries-		
Parks Director	\$ 45,500	\$
Others	77,776	9,167
Employer's Share-		
FICA	9,043	723
Retirement	8,853	
Prior Year Payroll Taxes		118
Administrative Expenses	8,877	
Insurance and Bonds	13,928	220
Health Insurance	12,489	
Telephone	1,606	
Utilities	6,824	
Contributions		6,250
Dues and Travel		1,198
Fuel and Oil	5,582	
New Equipment	15,975	
Maintenance-		
Building	7,812	
Equipment	4,372	
Grounds	15,411	
Materials and Supplies	5,400	4,262
Professional Fees		1,404
Promotional Expenses		5,390
Truck	13,365	
Improvements	11,376	
Interest Expense	2,655	
Blacktop	10,231	
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Totals	<u>\$ 277,075</u>	<u>\$ 28,732</u>

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REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER
FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS



Edward B. Hatchett, Jr. Auditor of Public Accounts

Honorable Jim Henderson, County Judge/Executive
Honorable Kenneth Y. Harper, Former County Judge/Executive
Members of the Simpson County Fiscal Court

Report On Compliance And On Internal Control Over Financial Reporting Based On An Audit Of Financial Statements Performed In Accordance With Government Auditing Standards

We have audited the financial statements of Simpson County, Kentucky, as of and for the year ended June 30, 1998, and have issued our report thereon dated July 15, 1999. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Simpson County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

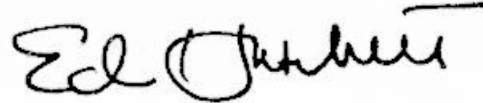
Internal Control Over Financial Reporting

In planning and performing our audit, we considered Simpson County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Honorable Jim Henderson, County Judge/Executive
Honorable Kenneth Y. Harper, Former County Judge/Executive
Members of the Simpson County Fiscal Court
Report On Compliance And On Internal Control Over Financial Reporting Based On An
Audit Of Financial Statements Performed In Accordance With Government Auditing Standards
(Continued)

This report is intended for the information of management. However, this report, upon release by the Auditor of Public Accounts, is a matter of public record and its distribution is not limited.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Ed Hatchett", with a stylized flourish at the end.

Edward B. Hatchett, Jr.
Auditor of Public Accounts

Audit fieldwork completed -
July 15, 1999

COMMENT AND RECOMMENDATION

SIMPSON COUNTY
COMMENT AND RECOMMENDATION

Fiscal Year Ended June 30, 1998

REPORTABLE CONDITIONS

None

NONCOMPLIANCES

The County Should Have Required Depository Institutions To Pledge Additional Securities Of \$220,565 As Collateral To Protect Deposits

The county's deposits were not adequately secured by \$220,565 as of March 17, 1998. Under provisions of KRS 66.480(1)(d) and KRS 41.240(4), banks are required to provide pledges of securities as collateral for interest-bearing and noninterest-bearing deposits if either exceeds the \$100,000 amount of insurance coverage provided by the Federal Deposit Insurance Corporation. We recommend that the county require depository institutions to pledge sufficient securities as collateral to protect deposits at all times.

Management's Response:

We will talk with the local banks to make sure they have pledged sufficient securities to cover deposits.

PRIOR YEAR FINDINGS

None

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**CERTIFICATION OF COMPLIANCE – LOCAL
GOVERNMENT ECONOMIC ASSISTANCE AND DEVELOPMENT PROGRAMS**

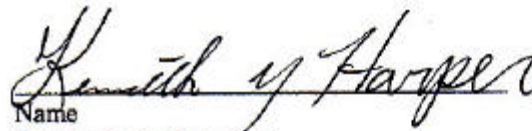
SIMPSON COUNTY FISCAL COURT


Fiscal Year Ended June 30, 1998

Appendix A

CERTIFICATION OF COMPLIANCE
LOCAL GOVERNMENT ECONOMIC ASSISTANCE AND DEVELOPMENT PROGRAMS
SIMPSON COUNTY FISCAL COURT

The Simpson County Fiscal Court hereby certifies that assistance received from the Local Government Economic Development Program and Local Government Economic Assistance Program was expended for the purpose intended as dictated by the applicable Kentucky Revised Statutes.


Name
County Judge/Executive


Name
County Treasurer